



AGENDA DATE: 5/10/00
AGENDA ITEM: 8E

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

TELECOMMUNICATIONS

IN THER MATTER OF PETITION OF)
ALLEGIANCE TELECOM OF NEW)
JERSEY, INC. FOR APPROVAL OF DEBT)
ISSUANCE)

ORDER OF APPROVAL

DOCKET NO. TF00010030

THE ROTHFELDER LAW OFFICES, Westfield, N.J. 07090, by Martin C.
Rothfelder, Esq. for Allegiance Telecom of New Jersey, Inc.

Fred S. Grygiel, Chief Economist, Mark C. Beyer, Manager, and Leo M. Lim,
Supervising Accountant, Julie Huff, Accountant II, Office of the Economist
on behalf of the Staff of the Board of Public Utilities

BY THE BOARD:

On January 14, 2000, Allegiance Telecom of New Jersey, Inc. ("Allegiance or
Petitioner") filed with the Board of Public Utilities ("Board") a petition seeking the
Board's approval of Petitioner's issuance of certain debt and its participation in related
financing arrangements pursuant to N.J.S.A. 48:3-7 and 48:3-9.

Allegiance is a Delaware Corporation with principal offices at 1950 Stemmons
Freeway, Suite 3026, Dallas Texas 75207. Allegiance is a wholly owned subsidiary of
Allegiance Finance Company a Delaware Corporation, which is a wholly owned
subsidiary of Allegiance Telecom, Inc., a Delaware wholly owned company whose
principal business is telecommunications.¹ In New Jersey, the petitioner holds
authority to provide switched and dedicated facilities-based local exchange service and

¹ Neither Allegiance Telecom, Inc. nor Allegiance Finance Company holds any regulatory
licenses from this or any other regulatory commission.

inter-exchange service pursuant to the Board's Order of Approval in Docket No. TE98070470 issued on October 9, 1998. Affiliates of Petitioner are authorized to provide intrastate inter-exchange and/or competitive local exchange services in numerous other states pursuant to certification, registration or tariff agreements, or on a deregulated basis. Another affiliate of the Petitioner is authorized by the Federal Communications Commission to provide international services as a non-dominant carrier.

Petitioner seeks approval to incur debt as part of a series of financing agreements whereby Allegiance Finance Company ("Borrower"), a subsidiary of Allegiance Telecom, Inc., the ultimate parent and holding company of Allegiance, will borrow an amount of \$500 million with an option to increase the amount by up to \$200 million if certain conditions are met in the future ("the Facilities"). The Facilities are comprised of a \$350 million 7-year credit facility and a \$150 million 7-year Delayed Draw Term Loan. Upon satisfaction of certain conditions, the Borrower shall have the right, on or prior to the maturity date of the Facilities, to establish a new tranche or to increase the amount of one or more of the above listed loans by up to \$200 million. The Facilities will be guaranteed by Allegiance Telecom, Inc. and all existing and future subsidiaries of Allegiance Telecom, Inc., including Petitioner. The Petitioner seeks approval to act as a guarantor for Allegiance Finance Company in the Facilities. In addition, the Facilities will be secured by a first priority security interest in all assets of Allegiance Telecom, Inc., the Allegiance Finance Company, and all current and future subsidiaries including Petitioner.

The proceeds of loans under the Facilities will be utilized to provide funds to purchase equipment or network assets and for other corporate purposes of Allegiance Telecom, Inc. and its subsidiaries including Petitioner. Petitioner requests the Board's approval to participate in the above described financial arrangements. Petitioner has also filed for and received regulatory approvals to participate in the transaction described above in Georgia, New York and Pennsylvania.

After review, the Board FINDS that the proposed debt issuance is in accordance with law and is not contrary to the public interest. Therefore, the Board HEREBY ORDERS that the Petitioner be and is hereby authorized to participate in the debt and related financial arrangements as set forth in its petition dated January 14, 2000.

This Order is issued subject to the following Provisions:

1. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioner.
2. Petitioner shall semiannually file statements for the amounts and use of the credit facilities pursuant to N.J.A.C. 14:1-5.9 (b).

3. This Order shall not affect, or in any way limit the exercise of the authority of this Board, or of the State, in any future petitions or in any proceeding with respect to rates, franchises, services, financing, accounting, capitalization, depreciation, or any other matters, affecting the Petitioner.

DATED: 5/15/00

BOARD OF PUBLIC UTILITIES
BY:

[SIGNED]
HERBERT H. TATE
PRESIDENT

[SIGNED]
CARMEN J. ARMENTI
COMMISSIONER

[SIGNED]
FREDERICK F. BUTLER
COMMISSIONER

ATTEST:

[SIGNED]
EDWARD D. BESLOW
ACTING SECRETARY

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